

SUMMARY ANALYSIS OF AMENDED BILL

Author: A. Rev. & Tax. Comm. Analyst: Jeani Brent Bill Number: AB 1040

Related Bills: See Prior Analysis Telephone: 845-3410 Amended Date: 09/02/97

Attorney: Doug Bramhall

Sponsor:

SUBJECT: Financial Corporation Offset/Corporation Definition/Bank Information Reporting/Bonds/Credit Election

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED March 31, 1997, April 21, 1997, and May 23, 1997, STILL APPLY.

☒ OTHER - See comments below.

SUMMARY OF AMENDMENT

The September 2, 1997, amendment removed a provision from this bill that would have amended the law that allows the state or a county to refer to the department for collection court-ordered amounts that are associated with court-ordered fines, penalties, forfeitures, or restitution orders.

The September 2, 1997, amendment also provided language to double-join this bill and SB 1106 to avoid chaptering problems since both bills would make changes to Revenue and Taxation Code Section 24416.2. The amendments also made minor technical changes.

Except for the amendment noted above, the department's analyses of the bill as amended March 31, 1997, April 21, 1997, May 23, 1997, and June 30, 1997, still apply.

SUMMARY OF BILL

This bill, sponsored by the Franchise Tax Board, would do the following:

1. Allow the department to receive federal information return data regarding the discharge or cancellation of indebtedness.

DEPARTMENTS THAT MAY BE AFFECTED:

____ STATE MANDATE

____ GOVERNOR'S APPOINTMENT

Department Director Position:

☐ S ☐ O
☐ SA ☐ OUA
☐ N ☐ NP
☐ NA ☐ NAR
☐ PENDING

Agency Secretary Position:

☐ S ☐ O
☐ SA ☐ OUA
☐ N ☐ NP
☐ NA ☐ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved _____
Position Disapproved _____
Position Noted _____

Department Director Date
cJohnnie Lou Rosas 9/14/97

Agency Secretary Date

By: Date:

2. Create a reporting requirement for payers of interest or dividends from bonds issued by another state that are exempt from federal taxation.
3. Modify the definition of "corporation" to include banks, unless specifically provided otherwise; provide specific language to exempt banks from existing provisions of the Administration of Franchise and Income Tax Laws and Regulations (AFITL) and the Bank and Corporation Tax Law (B&CTL) for which intentional differences between the treatment of corporations and banks is clear, such as the corporation income tax; and replace the phrase "bank or corporation" with the term "corporation" throughout the B&CTL and the AFITL. The department's policy of not applying Section 24411 to banks would be reversed, allowing a foreign bank to pay exempt dividends to a domestic water's-edge taxpayer.
4. Remove the election provision from the Los Angeles Revitalization Zone (LARZ) sales or use tax credit, the Local Agency Military Base Recovery Area (LAMBRA) sales or use tax credit and the LAMBRA hiring credit and replace it with a provision limiting the taxpayer to one credit.
5. Amend Chapter 952 of Statutes of 1996, which enacted SB 715, to reflect that its provisions apply to taxable or income years beginning on or after January 1, 1997.
6. Repeal sections referring to offset provisions for personal property taxes or license fees that are obsolete, and delete references to those sections contained in other sections (B&CTL).
7. Delete an obsolete reference that requires all apportioning taxpayers to maintain specified information.
8. Change Section 19340 of the AFITL to reflect that when an overpayment is credited against any amount due, any interest on that overpayment also will be credited against any amount due. This provision also would include a reference to "this part," which is the AFITL.
9. Correct a reference to Section 19276 of the AFITL contained in the Business and Professions Code and the Insurance Code to reflect that section's renumbering.
10. Delete an unnecessary and redundant reference to Revenue and Taxation Code (R&TC) Section 23097.
11. State the intent of the Legislature to replace references to Standard Industrial Classification Manual published by the United States Office of Management and Budget, 1987 edition, with code section references to the North American Industry Classification System (NAICS), expected to be published in 1997.

SUMMARY OF TAX REVENUE EFFECT

The following table reflects the estimated impacts of the various provisions of this bill:

Estimated Revenue Impact of AB 1040 As Amended September 2, 1997	
1. Information Reporting/ Discharges	Possible acceleration of revenue collections
2. Information Reporting/Bond Interest	Gains of \$5 to \$11 million annually when fully implemented
3. Corporate Definition to Include Banks	\$1 million to \$2 million loss annually
4. Remove Credit Elections	No Impact
5. Operative Date	No Impact
6. Financial Corporation Offset	No Impact
7. Apportioning Reference Correction	No Impact
8. Interest on Overpayment	No Impact
9. Reference Correction	No Impact
10.Redundant Reference	No Impact
11.Legislative Intent	No Impact
Total	Gains of approximately \$4 to \$9 million annually